

**BEFORE THE TENNESSEE REGULATORY AUTHORITY**

**NASHVILLE, TENNESSEE**

December 30, 1998

**IN RE:** )  
 )  
**APPLICATION OF NASHVILLE GAS COMPANY,** )  
**A DIVISION OF PIEDMONT NATURAL GAS** )  
**COMPANY, FOR APPROVAL TO DEFER YEAR** ) **Docket No.: 98-00064**  
**2000 COSTS AND FOR ESTABLISHMENT OF A** )  
**REGULATED ASSET ACCOUNT FOR THE** )  
**RECOVERY OF SUCH COSTS IN A SUBSEQUENT** )  
**GENERAL RATE CASE** )

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**ORDER DISAPPROVING APPLICATION**

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On May 5, 1998, at a regularly scheduled Authority Conference, the Tennessee Regulatory Authority (the "Authority") considered the Application of Nashville Gas Company ("Nashville Gas" or "Company"), a Division of Piedmont Natural Gas Company, for Approval to Defer Year 2000 Compliance Project Costs and for Establishment of a Regulated Asset Account for the Recovery of Such Costs in a Subsequent General Rate Case (the "Year 2000 Application").

By its Year 2000 Application, Nashville Gas seeks permission from the Authority (1) to defer certain outside labor costs related to the repair of its existing computer systems to insure that the systems are Year 2000 compliant and (2) to seek recovery of such costs in its next general rate case. The Application was originally considered at the Authority Conference held on March 24, 1998. At that Conference, the Directors inquired about certain

downsizing of employees that took place at Nashville Gas' Tennessee offices. Nashville Gas was given additional time in which to respond and the matter was deferred until the Authority's Conference held on April 7, 1998.<sup>1</sup> The Authority resumed deliberations at its Conference held on April 21, 1997, during which time Nashville Gas orally submitted additional information. Some of the information discussed was suitable for documentation and the Authority requested that Nashville Gas present such information to the Authority in writing. By that certain "Informational Filing" submitted on April 27, 1998, Nashville Gas complied with the Authority's request for written information.

On May 5, 1998, this matter came again to be considered by the Authority. After considering the matters filed with the Authority and Nashville Gas' oral presentation, the Authority unanimously voted to disallow Nashville Gas' Year 2000 Application. The Uniform System of Accounts for Gas Utilities, as promulgated by the National Association of Regulatory Utility Commissioners, provides for a deferral of costs which would normally be expensed under Generally Accepted Accounting Principles only if the regulatory agency finds that a financial emergency currently exists or will exist which would warrant a deferral. The Authority has concluded that Nashville Gas has failed to demonstrate the existence of, or potential for, a financial emergency which would warrant the deferral of the Year 2000 compliance costs. The Company also failed to provide adequate and substantial reasons for the Directors to act in contradiction to the Emerging Issues Task Force of the Financial Accounting Standards Board which, as stated by the Company in its original application for

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<sup>1</sup> At the request of Nashville Gas, the matter was re-scheduled to be considered during the April 21, 1998 Conference.

deferral, had determined that the costs related to Year 2000 compliance should be expensed currently rather than capitalized and depreciated over time.

IT IS THEREFORE ORDERED THAT:

1. Nashville Gas' Application to Defer Year 2000 Compliance Project Costs and for Establishment of a Regulated Asset Account for the Recovery of Such Costs in a Subsequent General Rate Case is disallowed.

2. Any party aggrieved by the Authority's decision in this matter may file a Petition for Reconsideration with the Authority within ten (10) days of the date of this Order.

  
CHAIRMAN

  
DIRECTOR

  
DIRECTOR

ATTEST:

  
EXECUTIVE SECRETARY